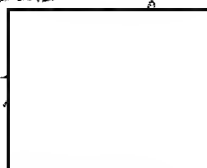


On file DOC release instructions apply.

MEMORANDUM FOR: Mr. Dulles:

After you have noted, I will send this
on to Bob Amory for comment and preparation
of an appropriate reply for your
signature.

*Top Secret - by circulation
as USIB-D-43.*



11 June 1959

(DATE)

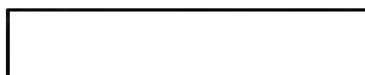
FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

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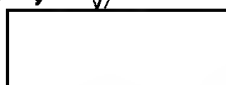
response 6/22

Mr. Amory sent carbon to



6/16 -- had for

reply from him.



*circulate attached
letters (less annex) to USIB
and put on agenda for 30 June
Rah*

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11-5276

THE SECRETARY OF COMMERCE
WASHINGTON 25, D. C.

Mr. Allen Dulles, Director
Central Intelligence Agency
Washington 25, D. C.

Dear Mr. Dulles:

The Department of Commerce under the Export Control Act of 1949 has certain responsibilities for the control of technical data the export of which to certain destinations is considered inimical to the national security. The Department also has long standing responsibilities in representing American business and industry in governmental matters.

Since technical data may be transferred by observation and/or discussion, in addition to writings, the East-West exchanges in the industrial and technical fields represent a possible avenue for the uncontrolled export of significantly strategic technical data. This Department recently suggested to the Department of State - a copy of my letter of May 8, 1959 to Secretary Herter is attached - that greater Commerce participation in the East-West Exchange Program was necessary in order that these responsibilities might be properly discharged. Among these suggestions we believe Commerce representation on the Committee on Exchanges of the USIB would be desirable and our responsibilities, both from the standpoint of control of technical data and representation of American business and industry, could be brought into the picture while evaluation of specific exchanges is being made.

Ambassador W. S. B. Lacy, Special Assistant to the Secretary of State, in a reply of June 2, 1959 suggested that we direct such a request to you, the Chairman of the USIB. Accordingly, if it is agreeable to you, I would like to designate Mr. John W. Shepard of our Export Policy Staff to be the Department's representative on the Committee on Exchanges when industrial or technical exchanges are being considered and evaluated.

Sincerely yours,

Secretary of Commerce

Attachment:

(EXECUTIVE SECRET) Commerce

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May 8, 1959

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The Honorable
The Secretary of State
Washington 25, D. C.

Dear Mr. Secretary:

On July 18, 1956, Secretary of Commerce Sinclair Weeks wrote both Secretary of State John Foster Dulles and Under Secretary Herbert Hoover, Jr., outlining the concern of the Department of Commerce relative to the East-West Exchange program, both from the Department's statutory responsibility under the Export Control Act for the control of technical data and for its responsibility as liaison with the business community. Since that time, the United States has entered into and largely completed an extensive exchange program with the U.S.S.R., which includes exchanges of a highly technical and industrial nature in many strategically important fields. On the basis of a study of the nature, scope and procedures currently utilized for the implementation of this program, a proposal by the U.S.S.R. for extension of the two-year U.S. - U.S.S.R. exchange agreement of January 27, 1958, and recent information relative to the U.S. - U.S.S.R. electronics exchange, the Department believes certain changes in operation of this program are essential in order to permit the Department to adequately discharge its responsibilities. Before making suggestions, which are contained in the attachment hereto, and which, we believe, if adopted, will assure that the national security interests are adequately safeguarded, we believe a brief description of the recent electronics exchange may serve to focus the problem.

During the past two months a group of U.S. electronics industry representatives and technicians visited the U.S.S.R. as a reciprocal visit to a U.S.S.R. group who visited the U.S. in the latter part of 1958. The Department of Commerce, as we believe should be the case, was not accorded the opportunity to participate in the evaluation of the advantages and disadvantages of such an exchange; the itineraries of the groups, either in the U.S. or the U.S.S.R.; the selection of the U.S. team members; or consultation with U.S. plants, laboratories or facilities or team members prior to the visits by the U.S.S.R. team or the departure of the U.S. team to the U.S.S.R. It is now clear that certain members of the U.S. team took to the U.S.S.R. certain materials which, under the Department of Commerce export control regulations, require licenses for export to all destinations except Canada. It is also clear that a number of these items, and possibly some of the technical data, which were given to the U.S.S.R. personnel, were under a presumption of denial licensing policy from the U.S. and also on the international embargo security trade control list. Not only, therefore,

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were U.S. export control regulations violated, but the U.S. has violated its commitments to the other Coordinating Committee countries. The matter is, however, more difficult because of the official sponsorship of the exchange, and the assumption that several U.S. Government Agencies actively responsible for the program were apparently aware of the intent to use these materials and/or technical data for exchange purposes.

While the Department of Commerce does not have evidence of corresponding violations in other exchanges, either on visits of U.S.S.R. groups to the U.S. or U.S. groups to the U.S.S.R., we believe such violations have and will continue to occur unless remedial procedures of the type suggested in the attachment are adopted.

We wish to emphasize that the Department, in suggesting these modifications, does not intend to erect barriers which would serve to make the exchange program difficult or impossible of implementation. The Department recognizes the objectives of that program and is well aware of the high importance given to the program by the Department of State and the intelligence community. On the other hand, the Department is equally aware of its responsibilities under the Export Control Act and believes firmly that, for the program to be fully effective, the interests and responsibilities of each agency and department receive adequate consideration, both in the original determinations and during the course of the actual exchange.

If you concur in these changes, we shall be glad to assist in making the necessary arrangements to place these modifications in effect.

A copy of this letter has been transmitted to the Bureau of the Budget.

Sincerely yours,

/s/ Lewis L. Strauss

Secretary of Commerce

Attachment:

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Attachment to letter dated May 8, 1959, from Secretary of Commerce Lewis Strauss to Secretary of State Christian Herter, subject: East-West Exchange Program and Technical Data Controls.

Suggestions for modifying present procedures for implementation of the East-West Exchange Program.

1. The Department of Commerce should be represented on the Committee on Exchanges of the U.S. Intelligence Board when technical or industrial exchanges are under consideration. This would permit the introduction into the initial consideration of the advantages and disadvantages on any proposed exchange of the Commerce technical data export regulations. The Department has available in its BFC and BDSA organizations competent technical personnel with special knowledge of the business and industrial community as well as expert knowledge of the strategic importance of technical data which might be compromised by visits of Soviet bloc technicians, engineers and industrialists to U.S. plants, laboratories and facilities. These personnel, who also are, in many cases at least, cognizant of developments in the U.S.S.R., should be able to make a valuable contribution from that side of the picture.

2. Because of the Department's long standing responsibility as liaison with the business community, as well as its continuing program of working closely with industry on matters of national security and defense, the Department of Commerce should assume the principal responsibility of securing the necessary cooperation of U.S. business in the implementation of any approved exchanges in the technical/industrial fields including the itineraries of the visiting groups in the U.S. It is not intended, of course, that these activities would be determined solely by the Department's personnel, but rather, the Department would participate fully therein and would make the necessary arrangements with the business community. Additionally, the Department should participate in the selection of U.S. personnel to make up the U.S. group and in the establishment of proposed itineraries of such groups in the Soviet bloc country.

Through these activities, the Department would be able to acquaint U.S. business receiving Soviet bloc groups, and U.S. group members going to Soviet bloc countries, with the export control regulations covering technical data and commodities, give advice as to the extent to which disclosures were permissible, either on a general license or validated license basis, and provide authorization for disclosures where it had been determined such disclosures were in the interests of the exchange program and the U.S. national security. It is believed that the specialized knowledge possessed by

this Department's personnel concerning the nature, operation, personnel and technical characteristics of the U.S. industrial and business community, as well as the close relationship of the Department's personnel with business, will add greatly to the effective implementation of the exchange program. In carrying out this responsibility, it may be necessary and desirable for a Commerce employee well-versed in the export control regulations, as well as in the activities of the particular industrial field involved, to call upon prospective host plants, laboratories or facilities prior to a proposed visit or, on occasion, to accompany the Soviet bloc visitors on their tours.

3. Arrangements should be made, in connection with approved exchanges, to obtain from U.S. groups going to the Soviet bloc country, a formal comprehensive report of the information obtained or observations made so that it may be made available to the U.S. Government and/or industry. While to date it appears little or no information of value to U.S. business has been obtained, that which may have been obtained has been made available only on an informal basis. There should also be a full oral debriefing of U.S. members of a group. Similarly, U.S. businessmen should be debriefed with regard to visits by foreign teams to their plants. By participating fully in these activities, I believe the results of the exchanges can be made more useful than in the past. The Department, through its Office of Technical Services, has a ready means of informing business of information obtained.

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